

CCXAP assigns BBB_g+ to Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd.'s proposed USD bonds

Hong Kong, 19 September 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB_g+ to the proposed USD bonds to be issued by Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd. (“GLD” or the “Company”) (BBB_g+/stable).

The bonds constitute direct, unconditional, unsubordinated, and unsecured obligations of GLD, which shall at all times rank pari passu with all the Company’s other present and future unsecured and unsubordinated obligations. The Company intends to use the net proceeds for refinancing its existing offshore indebtedness.

Corporate Profile

Found in 2004, GLD is directly and wholly owned by the Liuzhou State-Owned Assets Supervision and Administration Commission (“Liuzhou SASAC”). The Company is one of the key infrastructure investment and financing companies (“LIIFCs”) of the Liuzhou Municipal Government. It mainly engages in urban construction and development in the Liudong New District, such as primary land development and government-supported housing construction. It also undertakes the role of local state-owned asset management, urban service and providing finance business to local entities.

Rating Rationale

The senior unsecured debt rating of the bonds is equal to GLD’s long-term credit rating. We believe that the government support will flow through GLD given its important position in local public activities and urban operation of Liudong New District, thereby mitigating any differences in expected loss that could result from structural subordination.

The BBB_g+ long-term credit rating of GLD reflects Liuzhou City Government’s strong capacity to provide support and extremely high willingness to support based on our assessment of the Company’s characteristics.

The willingness of support is underpinned by the Company’s (1) strong strategic position in Liuzhou City, particular the Liudong New District; (2) large exposure to public activities in the region; and (3) good track record of receiving government payments. However, it is constrained by the Company’s (1) medium exposure to commercial activities; (2) refinancing pressure, which has moderated by its access to funding.

Rating Outlook

The stable outlook on GLD’s rating reflects our expectation that the local government’s capacity to support will remain stable, and the Company will maintain its strategic role in urban construction and development in the Liudong New District.

What could upgrade the rating?

The rating could be upgraded if (1) Liuzhou Municipal Government's capacity to support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as improving financial control.

What could downgrade the rating?

The rating could be downgraded if (1) Liuzhou Municipal Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decreases in its strategic significance or materially increases its commercial activities.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

Regulatory Disclosures

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